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HS

Harmonized
Commodity
Description
and Coding
System

T17.2:

Harmonized System

The United States may adopt a new customs tariff based on the Harmonized Commodity Description and Coding System (HS) on January 1, 1988, if international negotiations are satisfactorily concluded in time and Congress and the President approve. The purpose of this pamphlet is to provide the trading community with some basic information about the new system so that planning for the changeover can be started early enough to make for a smooth transition.

What is the Harmonized System?

The Harmonized System (HS) is a multipurpose international goods classification system designed to be used by manufacturers, transporters, exporters, importers, Customs, statisticians, and others in classifying goods moving in international trade under a single commodity code.

Who developed the HS?

It was developed under the auspices of the Customs Cooperation Council (CCC), an international customs organization in Brussels, Belgium, with the active participation of U.S. Government and industry as well as our major trading partners and members of the international trade and transportation communities. Sixty countries, fourteen government international organizations, nine private international organizations and two national trade facilitation organizations participated in the development of the HS.

What are its benefits?

The use of the same code for imports and exports, as well as transportation purposes, will save considerable time and money for those involved in international trade because goods will not have to be re-coded and re-described as they move from country to country and from system to system in commerce. Use of the HS will also increase the accuracy of international trade statistics which will make it easier to compare trade data, increase certainty and understanding in international trade negotiations, and simplify the verification of product classification.

Who will be able to use the HS?

While developed primarily as a goods classification system for Customs purposes, the HS takes into account the interests of others in the international trade community and is intended to serve as a "core" system which can be used as is or expanded for specific uses (tariffs, freight rates, statistics, etc.) by all engaged in international trade.

How is it structured?

It is a hierarchically structured product nomenclature containing approximately 5000 headings and subheadings describing the articles moving in international trade starting with agricultural products and progressing to manufactured products. It is organized into 99 chapters arranged in 22 sections with the sections generally covering an industry (e.g. Section XI, Textiles and Textile Articles) and the chapters covering the various materials and products of the industry (e.g. Chapter 50 - Silk; Chapter 55 - Man-made staple fibers; Chapter 57 - Carpets and other textile floor coverings; and Chapter 61 - knitted or crocheted apparel and clothing accessories).

The basic code contains 4-digit headings and 6-digit subheadings. The U.S., as will other developed countries, will add digits for tariff and statistical purposes. In the U.S. duty rates will be at the 8-digit level and statistical suffixes at the 10-digit level.

How does it differ from the TSUSA, the current U.S. import code?

The TSUSA consists of a 5-digit code for tariff rates with an additional two digits for statistical purposes divided into eight schedules whereas the HS consists of 8-digit tariff rate lines with an additional two digits for statistical purposes and is divided into 99 Chapters (97 for international purposes and two for national purposes).

Will adoption of the HS change duty rates?

Adoption of the HS will be as rate neutral as possible. However, in a few instances duty rates may be slightly increased but some will also be reduced.

Will it affect GSP or other special trade arrangements?

No.

Will other countries adopt the HS?

Yes, it is expected that all of our major trading partners will adopt the HS and use it for imports and exports.

How will classification rulings on prospective imports be issued under the HS?

The same as they are now under the TSUS, by U.S. Customs.

Will adoption of the HS affect importer's rights?

Not at all. Importers will have the same rights under the HS as they do now under the TSUS.

Who will be responsible for determining the classification of goods entering the U.S.? U.S. Customs or the Customs Cooperation Council?

The U.S. Customs Service will continue to determine the classification of goods imported into the United States and its decisions will be subject to review by U.S. Courts just as under the current system.

What about export classification advice?

Use of the HS by the U.S. and its major trading partners should facilitate U.S. exports because goods will be classified in the same basic code by all parties concerned. Use of the HS should also make it possible for the Government to provide exporters with accurate advisory opinions as to the classification of their goods in other countries. However, it will always be up to the country of importation to make the final determination with respect to the classification of merchandise entering its country.

Since our major trading partners will be using the same system through the first 6-digits what will happen if there are disagreements between countries over the classification of goods?

The HS Convention provides that any dispute between countries concerning the classification of goods shall, if possible, be settled by negotiations between the countries. If it cannot be settled by

direct negotiations then the questions may be referred to the Harmonized System Committee and ultimately the Customs Cooperation Council for a recommendation as to settlement. However, any recommendation must be accepted by the disputing parties to resolve the dispute.

When will the HS become effective?

The target date for implementation domestically and internationally is January 1, 1988.

Where can I get more information on the HS and its impact on me.

Write to Director, Office of Regulations and Rulings, U.S. Customs Service, 1301 Constitution Avenue, N.W., Washington, D.C. 20229.



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